

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L NATO 06093

E.O. 11652: GDS
TAGS: MARR NATO
SUBJECT: MEETING OF CENTRAL EUROPE PIPELINE POLICY
COMMITTEE (CEPPC) AT DEPUTY PERMANENT REPRESENTATIVE
LEVEL, 24 JUNE 1977
REFS: (A) USNATO 4953, 081809Z JUNE 77, (B) AC/120-D/993
(REVISED)

SUMMARY: FOURTH MEETING OF CEPPC AT DEPUTY PERMANENT
REPRESENTATIVE LEVEL ON CENTRAL EUROPE PIPELINE SYSTEM
(CEPS) FINANCIAL PROBLEMS COMPLETED THE INITIAL DISCUSSION
OF ALL OF THE ITEMS EXCEPT ITEM 11 (ELIMINATION OF PROFIT
TAX) IN THE DRAFT GENERAL COMPROMISE AGREEMENT (ANNEX II
OF REF B). MAJOR PROBLEMS AT ISSUE WITH FRANCE CONCERN
PAYMENTS DIRECTLY TO TRAPIL FOR CIVIL PIPELINE MOVEMENTS
(ITEM 5) AND ELIMINATION OF THE PETROLEUM TAX (ITEM 10).
THE INTERNATIONAL STAFF (IS) WILL SOON ISSUE AN UPDATE OF
THE COMPROMISE AGREEMENT, WHICH WE WILL FORWARD TO
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WASHINGTON. END SUMMARY.

THE FOLLOWING HIGHLIGHTS ARE KEYED TO THE DRAFT GENERAL
COMPROMISE AGREEMENT:

1. CEPPC ACCEPTED A MODIFIED VERSION OF ITEMS 1, 2, AND 3
CONCERNING THE SETTING OF TARIFFS. IN ITEM 2, THE US REP

(HUBBARD, DEPDEFADV) MAINTAINED THE REQUIREMENT FOR HOST NATIONS TO JUSTIFY THE ESTABLISHMENT OF COMMERCIAL TARIFFS.

2. THE FRENCH ARE BACKING AWAY FROM THEIR PROPOSAL FOR THE REVISION OF THE CEPS UNIT, AND THE FRENCH REP (DE LA FERRIERE) WILL ATTEMPT TO OBTAIN APPROVAL FROM HIS AUTHORITIES TO ACCEPT THE CENTRAL EUROPE OPERATING AGENCY (CEOA) PROPOSAL MODIFIED TO ADJUST MILITARY TARIFFS TO CURRENCY FLUCTUATIONS THREE TIMES A YEAR (ITEM 4).

3. CEPPC APPROVED ITEM 5 CONCERNING PAYMENT TO TRAPIL FOR CIVIL PIPELINE MOVEMENTS, SUBJECT TO US CONDITIONS THAT PROFIT TAXES ARE ELIMINATED (ITEM 11) AND THAT THERE IS A VISIBLE ACCOUNTING OF ALL CIVIL-MOVEMENT TARIFFS PAID TO TRAPIL.

4. ITEM 6 WAS PREVIOUSLY DELETED, SINCE IT WILL BE RESOLVED BY ITEM 5.

5. THE IS WILL REDRAFT ITEMS 7 AND 8 PERTAINING TO SECURITY OF THE PIPELINES, AND CEPPC WILL ADDRESS THE REDRAFT AT THE NEXT MEETING. THE US REP MAINTAINED THAT HOST NATION (NATIONAL) REQUIREMENTS ABOVE AND BEYOND THE CRITERIA ESTABLISHED BY CEPPC/CEPO SHOULD BE PAID BY THE HOST COUNTRY.

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6. CEPPC ACCEPTED ITEM 9, ELIMINATION OF VALUE ADDED TAXES (TVA) FROM THE INTERNATIONAL CEPS BUDGET. HOWEVER, THE FRENCH DO NOT WANT TO ELIMINATE THE TVA UNTIL JANUARY 1978. IN THIS CASE, THE GERMAN REP (HERRMANN) STATED THAT 50 PCT OF THE TVA IN GERMANY WOULD HAVE TO BE ADDED FOR 1976 IN ACCORDANCE WITH AC/120-D/225.

7. THE FRENCH REP COULD NOT AGREE TO THE ELIMINATION OF PETROLEUM TAX (ITEM 10). COMPLAINTS FROM UNIONS AND OTHER EXCUSES WERE OFFERED AS THE REASONS. THE CHAIRMAN (BUWALDA) SUGGESTED THAT CEPS PAY THE TAXES AND THEN THEY COULD BE REFUNDED BY THE GOVERNMENT, BUT THE FRENCH REP ALSO REJECTED THIS PROPOSAL.

8. COMMITTEE AGREED TO MEET NEXT ON 12 JULY 77 TO ATTEMPT TO RESOLVE THE REMAINING PROBLEMS. BENNETT

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